

guaranty agencies increase access to higher education

As the cost of postsecondary education grows, so does the number of students who rely on loans to pay for their education. This increasing reliance on borrowing means that graduates leave school with higher levels of student loan debt. It also means that helping them manage their college debt – from borrowing only what they need to deciding the best way to repay – is increasingly important. The nation's 35 guaranty agencies provide that support and guidance to students and their families.

These state-designated agencies provide assistance at the local level, customizing services and materials to best serve their students and schools. Guaranty agencies help students and families pursue a college education by:

- Providing information on postsecondary opportunities and financial aid directly to students and families;
- Creating financial literacy materials and programs for students and families to better manage finances;
- Helping borrowers resolve problems repaying their loans and restore their credit if they default; and
- Assuring student loan availability through “lender of last resort” programs.



Advice for Students and Families

Initially created to provide insurance to student loan lenders, guaranty agencies' roles have grown to include a broad range of services beyond administering loans. One of their key roles is to promote access to postsecondary education by providing information on college planning, career preparation and paying for college. They reach out to students and families by providing:

- Informative Web sites that students and families can use to help with college applications and financial aid;
- Publications addressing college awareness, financial aid and financial literacy; and
- In-person and on-line financial aid workshops to educate students, families and school guidance counselors about funds available for college.

Last year, guaranty agencies distributed more than 10 million college awareness, financial aid and financial literacy guides on topics that include saving for college, money management, applying to college, paying for college and applying for financial aid. Agencies participated in more than 9,000 financial aid workshops and events that reached more than one million students and families and 7,800 guidance counselors. Guaranty agencies also partner with state agencies, school districts, libraries, youth centers and churches to leverage college access efforts and reach as many people in their area of service as possible.

What makes this guaranty agency role so crucial? Two things.

- First, the federal government does not provide these in-depth services to students and families. Congress recently moved to remedy this deficiency by designating guaranty agencies to provide similar assistance to all schools.
- Second, because of their close relationship to the students, families and schools in their area of service, guaranty agencies can provide customized programs and materials that exceed what a national effort could provide and ensure that local populations are served.

guaranty agencies help students

Learn about finances — Plan for college — Pay for college — Successfully repay loans

Support for Postsecondary Schools

The recent Reauthorization of the Higher Education Act recognized guaranty agencies' central role by providing that they help postsecondary schools develop educational programs and materials to train students and families in budgeting and financial management. Guarantors may provide that assistance to all postsecondary schools, regardless of which student loan program they use.

This legislation reinforces and expands the efforts by guaranty agencies to offer financial literacy training to students and schools. In addition to creating customized programs and materials on budgeting, paying for college and handling debt for institutions to share with their students, guaranty agencies develop entrance and exit counseling programs and create customized default aversion programs for schools and borrowers.

Helping Borrowers Repay Their Loans and Restore Their Lives

Guaranty agencies also play a critical role in helping borrowers who are having trouble repaying their loans. When a borrower becomes seriously delinquent, the lender asks its guarantor to intervene and help bring the borrower back into good standing. If borrowers are confused because they have loans from different lenders, guarantors help them clarify what they owe. It is well recognized that this kind of second-party intervention is very effective in helping borrowers resolve their payment issues.

One of the best indicators of successful default prevention activities is a national student loan default rate of 5.2 percent, one of the lowest rates in the history of the program. A recent survey of guarantors found that in fiscal year 2007, more than \$52 billion in delinquent FFEL loans were successfully returned to repayment status. These efforts save borrowers from long-term financial difficulties and save taxpayers much-needed funds.

When borrowers default on paying student loans, guaranty agencies offer them the opportunity to "rehabilitate" the loans and restore their credit ratings, allowing them to obtain home mortgages and car loans. Recoveries through the rehabilitation of defaulted loans by guaranty agencies are on a record pace with \$1.42 billion recovered so far this year, up 27 percent from last year.

Loan Access Backstop

Congress recently passed legislation that it hopes will ensure that loans are available to everyone this year. However, if this effort proves inadequate, it will be the guaranty agencies that step in as "lenders of last resort" to prevent a potential calamity for postsecondary students.

Find Out More

To provide a central resource for all students, families and schools to learn about the entire college planning process, the guaranty agencies have worked together to create a new Web site – Going2college.org – that includes comprehensive information on career planning, college planning and paying for college in each state.

Providing Years of Service

For more than 40 years, guaranty agencies have opened the doors to higher education for millions of Americans. Their role has been strengthened over the years because of the successful services and programs they have developed and because of their unique ability to respond directly to the needs of the students and schools in their states.



More than 40 years of service